

**MINUTES**

**California Pollution Control Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
October 22, 2008**

**1. CALL TO ORDER & ROLL CALL**

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 11:06 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
John Chiang, State Controller  
Tom Sheehy for Michael C. Genest, Director, Department of Finance

Staff Present: Michael Paparian, Executive Director

Quorum: The Chairperson declared a quorum

**2. MINUTES**

Ms. Redway asked if there were any questions or comments concerning the September 24, 2008 meeting minutes. There were none.

Mr. Sheehy moved approval of the minutes; upon a second, the minutes were unanimously approved.

**3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)**

Mr. Paparian reported that one of his analysts, Mike Smith will be leaving soon to pursue a non-bond passion. Mike Smith is a pilot of both helicopters and airplanes and has worked off-hours as a flight instructor. Mike has been offered a position at the California Department of Transportation, Division of Aeronautics. He has been thorough and professional in his work and has brought humor and a contagious positive outlook to his job and he is always willing to help co-workers understand and do better in their jobs. Mike will be missed by CPCFA staff and those who work with CPCFA.

Mr. Paparian reported that SB 1311, a bill that will help CPCFA reduce the costs of the California Capital Access Program (CalCAP) program, was signed by Governor Schwarzenegger in late September. Earlier efforts to reduce CalCAP costs are taking effect. In the first nine months of the year, loan loss reserve contributions have been reduced from \$2.4 million to \$1.8 million compared to 2007. The economic downturn may be impacting these numbers, but at the same time some borrowers that were previously bankable through normal loan programs have fallen into the near-bankable CalCAP category.

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Mr. Paparian stated that CPCFA has experienced a noticeable increase in CalCAP claims. Year to date claims are about \$2.3 million, about double the amount of last year. CPCFA still has about \$35 million in loan loss reserve accounts covering about \$236 million in outstanding loans. This coverage ratio is roughly 14%, which is a very comfortable coverage ratio.

CPCFA is continuing to work with the Air Resources Board (ARB) on programs to assist diesel vehicle owners meet new air quality requirements. The ARB has \$48 million available this year to assist on-road truck owners with retrofits or new trucks. CPCFA expects ARB to recommend using the CalCAP program to assist in providing financial incentives to help diesel vehicle owners meet the new air quality requirements. Staff will likely be coming to the Board in December with more detail and to request approval of an interagency agreement.

The deadline for applications for the California Recycle Underutilized Sites (CALReUSE) Prop 1C program was October 20, 2008. Staff received 32 applications via CALReUSE strategic partners. CPCFA expects to have around \$54 to \$55 million available for grants and loans in the program. The applications totaled nearly \$83 million for brownfield clean-up all over the state. The project impacts the development of over 7,800 housing units. The Board will recall that there is a \$5 million limit on grants and loans, but a project can go over that limit amount upon approval of the CPCFA board. Three of the applicants are seeking over \$5 million. Staff is reviewing all the applications and will be bringing recommendations for funding to the Board at the November meeting. It is quite possible that CPCFA's available funds will be exhausted in November or December. Staff may consider going back to the Legislature to ask for additional Prop1C funds for brownfield clean up.

Mr. Paparian reported that staff has seen the impact of the credit situation on CPCFA bond deals. All the items on the agenda today directly, or indirectly, involved changes of the financial or credit situation on the deals. Staff was pleased to see one of CPCFA's deals close approximately three weeks ago.

With the weekly rates currently at 2.8%, it is certainly a very comfortable arrangement for most of the borrowers. Staff has heard the banks that are typically involved in CPCFA's deals are reasonably solid. CPCFA has several deals expecting to close in November. Staff is not foreseeing any major problems with those deals.

Ms. Redway asked if there were any question from the Board or public. There were none.

## 4. BUSINESS ITEMS

### A. REQUEST TO APPROVE AMENDMENT OF FINAL RESOLUTION TO ISSUE REVENUE BONDS

Staff introduced Tony Cone, Westhoff, Cone and Holmstedt.

- 1) CPCFA approved a final resolution for Upper Valley Disposal Service, Inc. and/or its Affiliates in August 2008. Due to current conditions in the financial market, the Company requested to change the provider of the Letter of Credit to Union Bank of

## Agenda Item 2.

California, N.A.. The Company requested approval to amend the Original Term Sheet to reflect this change. Additionally, the Company requested to change the name of the Trustee to “The Bank of New York Mellon Trust Company, N.A.,” to reflect the reorganization of the trustee bank. Presented by Doreen Smith.

Ms. Redway asked if there were any question from the Board or public. There were none.

Mr. Sheehy moved approval of the item; upon a second, the item was unanimously approved.

Staff introduced Robert Feyer, Orrick, Herrington and Sutcliffe.

- 2) CPCFA approved a final resolution for Ecology Auto Parts, Inc. and/or its Affiliates in August 2008. Due to the change in the financial market since that time, the Company requested to amend the Final Resolution to substitute a new lender, Union Bank of California, N.A. (Union Bank) to replace GE Government Finance, Inc. as the private placement bond purchaser. Union Bank will also serve as the Escrow Agent for the bond financing. Presented by Doreen Smith

Ms. Redway asked if there any questions from the Board or public. There were none.

Mr. Sheehy moved approval of the item; upon a second, the item was unanimously approved.

- ~~3) Burrtec Waste Group, Inc. and/or its Affiliates, #741, Solid Waste Disposal,  
\$25,500,000  
**WITHDRAWN**~~

### **B. REQUEST TO APROVE AMENDMENT TO BOND DOCUMENTS**

- 1) **Yulupa Investments, LLC** requested approval to amend the Yulupa Investments, LLC Project Series 2008A Bond (the “Bonds”) Indenture between CPCFA and The Bank of New York Trust Company, N.A. dated April 1, 2008. The company requested to purchase the Bonds in lieu of redemption, transfer the Bonds to the Union Bank of California, N.A., the letter of credit bank, suspend or terminate the letter of credit and amend the interest provisions of the Indenture and the Bonds. Presented by Mike Smith.

Ms. Redway asked if there were any question from the Board. She also asked if the change was in response to the market conditions.

Mr. Feyer responded affirmatively.

Ms. Redway asked if Yulupa is definitely moving to fixed rate bonds.

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Mr. Feyer responded that there are notices going out to call in the bonds. Essentially, the Yulupa bonds are going to end up exactly the same as the Ecology Auto Parts bonds, but Union Bank is going to be the private lender for the transaction. In both the Yulupa and Ecology cases, the borrowers are getting a fixed rate through a swap agreement with Union Bank because it is providing a fixed rate financing. In Yulupa's case, the company was uncomfortable with the variable rates. The market was failing the last few months and Union Bank was able to provide Yulupa a fixed rate on reasonable terms.

Mr. Sheehy moved the approval of the item; upon a second, the item was unanimously approved.

### **5. PUBLIC COMMENT**

Ms. Redway asked if there were any comments from the public. There were none.

### **6. ADJOURNMENT**

There being no further business, public comments, or concerns, the meeting adjourned at 11:20 a.m.

Respectfully submitted,

Michael Paparian  
Executive Director